

SB 960
10/18/16

Good Afternoon.

Thank you to the committee for considering this legislation proposed by the Michigan Nonprofit Association and for giving us the opportunity to speak.

I am Tom Nobel, President/Founder of Baruch Senior Ministries – a 501(c)(3) Michigan nonprofit organization established in 1997 to own and operate assisted living facilities for seniors. Baruch currently has 23 licensed assisted living facilities totaling 939 beds throughout the state of Michigan, primarily located in smaller to medium size communities. Our mission statement is simple: 'Baruch Senior Ministries seeks to honor God by serving people as they age.'

Our focus in each Baruch community is to create a compassionate and loving environment where seniors can make a lasting home. Over 98% of our residents spend the remainder of their lives with us. We are dedicated to quality senior care that promotes enjoyment, community, vitality, and purpose for every individual resident.

As a charitable nonprofit organization, Baruch is able to offer more affordable costs to seniors as compared to other for profit assisted living facilities in the area. We do not charge a large upfront cost or fee to residents and our standard rates are generally less than those charged by for profit operations. Baruch has also established an income-based program in each of our homes that provides reduced 'rent' to individuals based on their monthly income, which is generally their social security income. The program is completely confidential and ensures residents the same level of care as all residents. Most importantly, the income-based program assures a resident and their family that they will never be asked to leave a Baruch home due to personal financial circumstances, which is generally not what would happen in a typical for profit home and even in some other nonprofit homes. In those cases, a resident would be discharged from the home and most likely placed in a State Medicaid-funded nursing home. So, since Medicaid does not provide monies for room and board in an assisted living facility, by allowing residents to remain in our Baruch homes even after they've run out of money and are unable to pay the going rates, our income-based program relieves a tremendous burden to the state. We would estimate that the overall average number of residents on the income-based program throughout all of our homes is close to 20%, but some of our homes have as many as 40% of residents on the income-based program.

To put it in perspective, with the cost of a nursing home stay estimated at \$8,000-10,000 per month (which might actually be a low estimate), we would conservatively estimate that we are saving the State \$4,000 per month per resident that we are caring for in our facilities on the income-based program. So, if 20% of the total number of our beds are occupied by those on the

income-based program, that equates to potential relief to the State of approximately \$9 million per year.

Baruch has experienced tremendous frustration with the current property tax exemption system. We think it's rather obvious that our income-based program and the charitable care we're providing to seniors throughout the State qualifies us for property tax exemption. However, we are currently receiving the exemption for approximately half of our homes, while the other half are still on the tax rolls. We are vigorously challenging those jurisdictions that have denied us the exemption by appealing through the court system, particularly since most of them simply deny the exemption with no real justification for doing so – simply saying 'doesn't qualify for exemption', 'not enough information, or something even less than that. We've also had more than one instance where we've had an exemption for a number of years and then randomly have it taken away and put back on the tax rolls – maybe it's a change in assessor or some other reason, but in all of these cases, we have remained consistent in how we conduct business and the programs that we offer. This inconsistency and purely subjective decision of individual assessors is very frustrating for an organization like ours that is doing the right thing and providing charitable care and services to those that need it the most.

For Baruch, the dollars spent for property taxes directly impacts our ability to provide housing and care to those seniors that have a financial need and don't have any other options. The costs that we incur to defend our position through the courts when we're denied an exemption even further takes away from our ability to provide the income-based program and to care for those individuals that don't have the financial resources to go elsewhere. For many smaller nonprofit organizations, the costs to challenge a denial is probably too great so they don't even have the option to dispute a local assessor's decision.

Again, to put it in perspective.....we are required to continue to pay property taxes as we're appealing a denial of an exemption through the court system. With appeals going as far back as 2010 still pending, we estimate that we could take care of another 250 residents in a year with the property tax monies paid out by Baruch that are currently under dispute in the courts.

Given our experience and frustration with the current system, we are supporting this legislation introduced by the Michigan Nonprofit Association and would urge the legislature to support it as well. It's a great step in providing some clarity and consistency to the existing case law and hopefully ensures that those nonprofit organizations that are providing charitable services and care to those in need will be able to obtain the exemption so that they can afford to continue to provide those services.